



# State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933  
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.revenue.wi.gov>

**Jim Doyle**  
Governor

**Roger M. Ervin**  
Secretary of Revenue

Committee on Ethics Reform and Government Operations Committee Hearing, January 23, 2008

## **Senate Bill 376 – Revisions to IRC (Law Revision Committee)**

### *Description of Current Law and Proposed Change*

In the drafting of the Internal Revenue Code (IRC) update in 2007 Act 20 (biennial budget bill), certain provisions were inadvertently omitted. The omitted sections relate to the definition of the IRC as it relates to REITs and other similar entities for tax years 1999 and thereafter.

The Legislative Reference Bureau and the Legislative Fiscal Bureau have indicated to DOR that it was the Legislature's intent to include these provisions in Act 20. The LFB summary of Act 20 assumes these provisions were included.

The bill amends the definition of "Internal Revenue Code" as it relates to entities that are REITs, regulated investment company (RICs), real estate mortgage investment conduits (REMICs) and financial asset securitization investment trust (FASITs) to incorporate federal law changes enacted in 2005 and 2006. Wisconsin has already made these law changes with respect to regular corporations and most of these law changes would affect REITs, RICs, REMICs, and FASITs in the same manner they affect regular corporations. Wisconsin has historically used the same definition of "Internal Revenue Code" for REITs, RICs, REMICs, FASITs and all corporations.

### *Fairness/Tax Equity*

- Unless there is a specific policy reason to define the IRC differently for REITs, RICs, REMICs, FASITs than for all other types of entities, failing to update the definition for these types of entities makes the law unnecessarily complicated. An unnecessarily complicated tax code does not serve the taxpayers of Wisconsin well.

### *Administrative Impact/Fiscal Effect*

- Minimal

### *DOR Position*

- Support

Prepared by: Rebecca Boldt, (608) 266-6785

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